

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5923-02
Bill No.: SCS for SB 816
Subject: Employees- Employers; Labor and Industrial Relations Department;
 Unemployment Compensation
Type: Original
Date: April 12, 2012

Bill Summary: This proposal redefines “misconduct” and “good cause” for the purpose of disqualifications from unemployment benefits.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2013 | FY 2014 | FY 2015 |
| | | | |
| | | | |
| Total Estimated Net Effect on General Revenue Fund | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2013 | FY 2014 | FY 2015 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | \$0 | \$0 |

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 5 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|------------------------------|------------------------------|------------------------------|
| FUND AFFECTED | FY 2013 | FY 2014 | FY 2015 |
| UC Administration Fund | \$0 or (\$51,000,000) | \$0 or (\$51,000,000) | \$0 or (\$51,000,000) |
| Wagner-Peyser Admin Fund | \$0 or (\$18,000,000) | \$0 or (\$18,000,000) | \$0 or (\$18,000,000) |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 or (\$69,000,000) | \$0 or (\$69,000,000) | \$0 or (\$69,000,000) |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2013 | FY 2014 | FY 2015 |
| | | | |
| | | | |
| Total Estimated Net Effect on FTE | 0 | 0 | 0 |

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|----------------|----------------|----------------|
| FUND AFFECTED | FY 2013 | FY 2014 | FY 2015 |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Labor and Industrial Relations** assume the federal government and state government are jointly responsible for administering the unemployment insurance system. State laws must meet certain federal requirements for the state agency to receive the administrative grants needed to operate its UI program and for employers to qualify for certain tax credits.

This proposal changes the definition of misconduct which may allow the cancellation of wage credits or total reduction of benefits rights for actions not connected with the claimant's work. If so, this proposal would raise a conformity issue with federal law.

Non-conformity with federal law could jeopardize the certification of Missouri's UI program. If the program fails to be certified, Missouri would lose approximately \$51 million in federal funds that the state receives each year to administer the UI program. Additionally, Missouri would lose the approximately \$18 million in federal funds each year the Department of Economic Development- Division of Workforce Development uses for Wagner-Peyser re-employment services.

The Federal Unemployment Tax Act (FUTA) imposes a 6.0% payroll tax on employers. Most employers do not actually pay the total 6.0% due to credits they receive for the payment of state unemployment taxes and for paying reduced rates under an approved experience rating plan. FUTA allows employers tax credits up to a maximum of 5.4% against the FUTA payroll tax if the state UI law is approved by the Secretary of Labor. However, if the proposed resolution causes Missouri's program to be out of compliance or out of conformity, Missouri employers would pay the full 6.0%, or approximately an additional \$868 million per year.

| <u>FISCAL IMPACT - State Government</u> | FY 2013 (10 Mo.) | FY 2014 | FY 2015 |
|---|--|--|--|
| UC ADMINISTRATION FUND | | | |
| <u>Loss - UC Administration Fund</u> loss of federal funds | <u>\$0 or</u> <u>(\$51,000,000)</u> | <u>\$0 or</u> <u>(\$51,000,000)</u> | <u>\$0 or</u> <u>(\$51,000,000)</u> |
| ESTIMATED NET EFFECT ON UC ADMINISTRATION FUND | <u>\$0 or</u> <u>(\$51,000,000)</u> | <u>\$0 or</u> <u>(\$51,000,000)</u> | <u>\$0 or</u> <u>(\$51,000,000)</u> |

| | | | |
|---|---------------------|---------|---------|
| <u>FISCAL IMPACT - State Government</u> | FY 2013 (10 Mo.) | FY 2014 | FY 2015 |
|---|---------------------|---------|---------|

**WAGNER-PEYSER
 ADMINISTRATION FUND**

| | | | |
|---|--|--|--|
| <u>Loss - Wagner-Peyser Admin Fund</u> loss of federal funds | <u>\$0 or</u> <u>(\$18,000,000)</u> | <u>\$0 or</u> <u>(\$18,000,000)</u> | <u>\$0 or</u> <u>(\$18,000,000)</u> |
|---|--|--|--|

**ESTIMATED NET EFFECT ON
 WAGNER-PEYSER
 ADMINISTRATION FUND**

| | | | |
|--|--|--|--|
| | <u>\$0 or</u> <u>(\$18,000,000)</u> | <u>\$0 or</u> <u>(\$18,000,000)</u> | <u>\$0 or</u> <u>(\$18,000,000)</u> |
|--|--|--|--|

| | | | |
|---|---------------------|---------|---------|
| <u>FISCAL IMPACT - Local Government</u> | FY 2013 (10 Mo.) | FY 2014 | FY 2015 |
|---|---------------------|---------|---------|

| | | | |
|--|------------|------------|------------|
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
|--|------------|------------|------------|

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

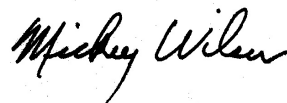
FISCAL DESCRIPTION

This act redefines "misconduct" for which an employee may be disqualified from unemployment benefits.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Labor and Industrial Relations



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April 12, 2012

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